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**MILITARY OUT-SOURCING: OBSERVATIONS, OPPORTUNITIES,  
CONFLICTS AND RECOMMENDATIONS**

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**by**

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# Military Out-sourcing: Observations, Opportunities, Conflicts and Recommendations

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## Abstract

Observations, opportunities, and potential conflict areas concerning both defense out-sourcing and out-sourcing of the military for homeland security agencies are discussed. Observations include the impact of transformation and network-centric operations on defense out-sourcing within a volatile and uncertain national security environment. Opportunities for out-sourcing include retention of institutional knowledge, assistance with generating a network-centric force, and cost savings. Potential areas of conflict include the domestic use of the military to fight terrorism and the asymmetric nature of warfare. Recommendations are offered that suggest areas for defense outsourcing and concern the domestic employment of the National Guard.

## Introduction

The US military has long relied upon a critical relationship with the industrial community to maintain and enhance readiness (Michaels, 1999). Defense contractors research, test, and develop virtually all of the military's equipment, transports, armaments, and personal gear. The military-industrial relationship is absolutely critical if the services are to meet their constitutional mission to fight and win the Nation's wars. As the services, in particular the Army, move forward to rapidly modernize and transform for the 21<sup>st</sup> Century, the industrial relationship the military has relied upon for over 200 years will become even more vital because the Defense Department cannot conceivably move forward in any reasonable fashion without its private-sector partners.

The nature of warfare and defense readiness is, however, changing. New roles, responsibilities, and requirements within the military-industrial relationship are emerging. Today's battlespace is characterized by nonlinear battlefields, asymmetric threats, global engagement, and interagency dependence (Bush, 2002). A capabilities-based military must be agile, flexible, and rapidly deployable if it is to successfully fulfill its mission (Rumsfeld, 2001).



The recently published National Defense Strategy states, “We will conduct network-centric operations with compatible information and communications systems, usable data, and flexible operational constructs” (Rumsfeld, 2005). As in the past, the industrial partners of the Defense Department are essential to provide the necessary capabilities for the Armed Services. It is, therefore, important to critically examine the military-industrial relationship in light of recent trends, observations, and strategic defense guidance concerning defense out-sourcing to ensure that it is headed in the right direction.

The purpose of this essay is, therefore, to describe recent trends and observations regarding military out-sourcing, suggest opportunities for the future, discuss potential issues concerning Defense out-sourcing, and offer recommendations so the military-industrial-societal relationship can best meet the Nation’s requirements. Out-sourcing is defined as the transfer of a function typically performed “in-house” by the organization to an outside or third-party vendor (Cardinali, 2001). Out-sourcing involves the movement of the work to the provider, but the responsibilities, accountability, and oversight for the services are retained by the owner. This paper focuses on the evolving nature of military out-sourcing within the last few years in terms of trends, opportunities, and potential concerns.

## **TRENDS AND OBSERVATIONS**

Although there are numerous observations that could be discussed relative to the current and evolving nature of the military-industrial-societal relationship, a few noteworthy observations include force/structure changes, unprecedented deployments of both active and reserve forces, less distinct lines between “traditional military” and “traditional contractor support,” the asymmetric nature of the conflict, the use of the military in a less traditional security role, and the recent trends regarding the use of the military as an out-source for homeland security agencies. Each of these trends and observations has had, and will continue to have, a unique bearing on defense contracting and military out-sourcing.

Current US military initiatives include modernization, transformation, re-stationing, network-centric operations, effect-based warfighting, and force rebalancing between the reserve and active components (Rumsfeld, 2005). Modernization efforts include precision munitions, lighter forces, and digital architectures for the command and control of deployed forces. Transformation measures include joint-interdependence of the services and creating capabilities-based forces. Effects-based planning and network-centric operations have replaced conventional warfighting paradigms of the last Century. Re-stationing for the military includes returning forces from Europe to create more continental US (CONUS) basing of forces (Noonan, 2005). Force rebalancing ensures that the military has the active-duty force structure needed for at least the first 30 days of the fight (Noonan, 2005). Collectively, the defense initiatives will result in an unprecedented change for the military in terms of its deterrence and warfighting postures. The Department of Defense has resisted changing end-strength, which is resulting in a need to outsource many logistical functions of the military as forces are re-designated from combat service support to either combat or combat-support organizations.

The second observation is that there is a much higher operations tempo (OPTEMPO) for the military services over the past 3 years than what has been seen in the US since World War II. The services are currently stretched between multiple theaters of operations and homeland security for the Global War on Terrorism (GWOT). Active forces are rotating between home station and deployed location every 6 to 24 months. Reserve Component (RC) forces are being activated at an unprecedented rate. Currently, over 60 percent of the RC has been mobilized at least once since the GWOT began in 2001 (Noonan, 2005). Defense contractors are used to



backfill critical capabilities left vacant with the high OPTEMPO. Military out-sourcing is used to train, equip, and prepare units for their deployment.

A third observation worth noting for its impact on military out-sourcing is that there appears to be a less distinct line between what has been considered a “traditional military” role versus what is deemed “traditional contractor support” functions to the armed services (Cardinali, 2001). For example, home-station base security was typically handled by military security forces stationed at the base; however, most bases have out-sourced this function due in part to the rapidity of the security force deployments. Similarly, the security function for forward-operating bases is also being shared with military contractors. Deployed combat units have imbedded contractor support to assist with maintenance, transportation, logistical, electronic, and intelligence operations (Scharnberg, 2005). While out-sourcing the military’s logistical functions is not new, the pace of out-sourcing in recent years has clearly increased (Cardinali, 2001). The Department of Defense has been using private sources to train and equip US and foreign militaries for peace and stability operations for several years because of cost considerations, as opposed to using uniformed members for the duty (Burton-Rose & Madsen, 1999).

Blurred lines between civilian-military roles and responsibilities over the past 3 years lead to a fourth noteworthy observation: the asymmetric nature of the threat results in casualties for both military personnel and the contractors within the theater of operations (Scharnberg, 2005). The death toll of service personnel is regularly tracked and reported by the media; however, civilian casualties directly related to acts of war seldom receive similar media attention; they are barely acknowledged. Scharnberg (2005), for example, reported that since the Iraq war began, at least 232 civilians working on US military and reconstruction contracts have been killed as a direct result of combat operations. The actual death toll is probably much higher. Because contractors are deployed right along side of fighting forces and embedded within nearly every operational aspect of the military, contractors are also suffering casualties—but without the deserved attention. Of concern is that the true cost of the GWOT in terms of human lives lost may not be fully realized nor appreciated by the general public (Scharnberg, 2005). Additionally, it is worth questioning if the nation is putting civilian contractors in harm’s way without proper training, support, or appreciation for the job they are tasked to perform.

The GWOT is also resulting in an unprecedented use of the military for security and stability operations, both domestically and internationally (Noonan, 2005). The core competency for the armed services has always been to fight and win the Nation’s wars. The GWOT environment is such that the fighting and winning requires a dramatic shift away from the core competency into an area not traditionally viewed as a high priority for training and readiness. Security and stability operations require unique skills and capabilities compared to traditional warfighting. Out-sourcing has been used to create supplemental capabilities, augment the skills needed, and free-up uniformed forces for combat roles within the emerging national security environment.

The sixth noteworthy observation is the evolving use of the military, particularly the National Guard, as an out-source to the civil community. The Guard was used for airport security following 9/11, side-by-side with local police (Piatt, 2004). The Guard has been and is still being used to protect critical infrastructure in certain parts of the country in addition to its combatant roles overseas (Abshire, 2004). The Guard’s Civil Support Teams (CST) are tasked solely to provide a chemical-biological-radiological (CBR) response capability to state and federal homeland security agencies (“Plans Announced,” 2004). Although the Guard has a constitutionally defined dual-mission responsibility for both federal and state missions, recent





trends in the domestic deployment of the Guard suggest that the organization may not be structured for all potential domestic missions. Moreover, one could legitimately question the appropriateness of using the Guard as an out-source for the civil homeland security community and, instead, suggest that resources being used to create the capability for the Guard should be redirected to the civil agencies to create a civilian homeland security capability.

Again, while there are many trends and observations which could be discussed relative to military out-sourcing, ones presented here provide a basis to discuss emerging opportunities and potential conflicts regarding out-sourcing, defense contracting, and the military-industrial-public relationship.

## **OPPORTUNITIES**

Some of the opportunities for military out-sourcing include the retention of institutional knowledge, cost savings over the long-term, adjusting the end-strength mandates for the services, creating more flexible capabilities, improving domestic preparedness, providing short-term fixes to critical problems, and accelerating military modernization and transformation. Clearly the opportunities for expanding and improving the military-industrial relationship are many; the ones presented in this paper are offered to initiate the discussions on defining new roles and opportunities for the defense community.

The military rank structure is one designed purposefully to create an “up or out” culture. Warfighting is clearly a young person’s profession given the physical challenges on today’s modern battlefield. Service members are generally promoted at specific intervals based on their years of service in their current grade and military education level. Most career service personnel retire at 20 years, which for most personnel, means retiring at age 38 to 45. Senior leaders are vulnerable to retention boards that force involuntary separation (unless they are regularly promoted to the next higher grade). The basic concept behind the military system is to create a balanced age and rank structure within the confines of end-strength mandates defined by Congress. At issue, however, is that the services lose institutional knowledge and experience as service members leave the military. An important opportunity for military out-sourcing is to view the relationship as one that can retain institutional knowledge within the defense community long after service members retire from uniformed service. For example, Military Professional Resources, Inc. (MPRI) and DynCorp are private defense contractors that employ many retired military professionals, much to the advantage of both the defense community and the Nation in terms of knowledge retention, information transfer, and cost savings (Burton-Rose & Madsen, 1999).

Certainly one of the key benefits to out-sourcing is cost savings to the Federal government over the long term (Michaels, 1999). Changes in the military’s end-strength would mean more retirees and entitlements for the future. Already federal entitlement programs constitute a significant portion of the federal budget. Adding to the military’s end-strength would increase Federal entitlements. Out-sourcing, however, can create an immediate military capability without the long-term costs of entitlements. An opportunity for military out-sourcing created by an end-strength adjustment would be in terms of developing infrastructure (training bases, schools, etc.) to support a higher end-strength. As defense planners consider out-sourcing versus force structure, a consideration that should be carefully weighted is the long-term cost of an end-strength increase.

Conversely, however, Congress does appear receptive to making an adjustment in the military’s end-strength, particularly for the Army (Schmitt & Shanker, 2005). Because the Army



is stretched both globally and domestically and will continue to have a high OPTEMPO for the foreseeable future, an increase in the Army's end-strength appears warranted. As the Army rebalances, re-stations, and transforms, consideration should be made to adjust force structure to more closely align end-strength with the requirements. Currently, the Army is exceeding its end-strength cap because of the deployments and mobilizations (Schmitt & Shanker, 2005). It seems only prudent to consider making the change permanent so the Army can maintain the needed readiness levels long into the future by creating the support architecture needed to sustain the force.

Another opportunity for military out-sourcing is that out-sourcing creates greater flexibility and agility for the Department of Defense in terms of generating deployable capabilities that are military-civilian interdependent, as opposed to pure military forces (Cardinali, 2001). Just as the military is striving to achieve military joint-ness as a key tenet of readiness in order to maximize service capabilities, a military-civilian expeditionary force would have inherit strength in terms of institutional knowledge, flexibility, capability, sustainability, and deployment agility. Direct warfighting roles should remain in the uniformed services. Out-sourcing support functions of the expeditionary force would free-up resources needed for direct combat operations (Cardinali, 2001).

Out-sourcing may also improve domestic preparedness of the homeland security agencies at both the Federal and State levels. Contractors already provide resources in the event of a domestic natural or human-caused disaster. The Guard may be prepared to assist, but only if the units are not deployed and if they are trained properly for domestic employment (Oedekoven, 2003). A more enduring solution would be to create a permanent, and perhaps more reliable, domestic capability through out-sourcing and civil-agency expansion. Although the National Guard is certainly committed to fulfilling its domestic responsibilities, overseas deployments may trump readiness and availability for local and state emergencies. Although Weiss (2001) argued that the consequence-management requirements for Weapons of Mass Destruction (WMD) incidents should be in the National Guard and civilian agencies, the post-9/11 realities suggest that perhaps the response should be weighted more heavily in the civil community given the current availability, or lack thereof, of the Guard.

Out-sourcing can provide the much-needed help with military educational requirements while the military creates the educational infrastructure to support programmed schooling. The military's training base is currently stretched to the breaking point, and contractors currently provide military educational opportunities that the military otherwise would not be able to provide (e. g., distance education by the Senior Service Schools, the Army's Force Management School, the Reserve Officers Training Course, etc.). The rapid pace of technological change is also such that the military cannot be as responsive as it should be to the change. Out-sourcing allows the military to keep pace with technological improvements via equipment acquisition, training, and maintenance. An additional benefit of educational out-sourcing is that institutional knowledge can be retained and shared—provided that the contractors employ retired service personnel to instruct the programs.

Out-sourcing is critically important if the military is to successfully transform and modernize within the timelines established by the Department of Defense. It only makes sense that contractors be used to conduct the training for new equipment fielding in order to free up billets for combat and combat-support personnel scheduled for deployments. Out-sourcing is a proven method for helping the Army transition; it improves combat effectiveness at a faster rate than would otherwise be possible without the participation of the private sector (Harvey, 1996). Out-sourcing will be needed to create the training platforms, simulators, and facilities for the



Army's modular force. If more resources were directed to military out-sourcing, it would be possible to accelerate the transformation/modernization program which is currently scheduled well into the next decade and possibly beyond.

Many other opportunities for military out-sourcing certainly exist given the nature of the national security environment. What is needed is greater imagination and creativity to better create and leverage the industrial capabilities that could support national defense.

## **POTENTIAL CONFLICTS**

Out-sourcing is certainly not free of risk and conflict, both perceived and actual. It is important to recognize and mitigate risks associated with out-sourcing to create the defense posture the GWOT demands. Some of the potential trouble spots include: the domestic use of the military, long- and short-term costs, theater of operations casualties, and understanding and appreciating the asymmetric nature of warfare. Potential trouble areas can be divided into two areas: the use of the military as an out-source and the use of civilian organizations as an out-source for the military.

The nature of military training is that forces are used to "fight the enemy." The domestic use of the military relative to acts of terrorism (both foreign and domestic) could lead to a potential conflict: the domestically deployed force could view US citizens as "the enemy." The domestic employment of military forces must be such as not to create a value-conflict within the service membership. If the military, in particular the National Guard, is deployed as an out-sourced resource for civil homeland security agencies, the civil and military leadership must recognize and effectively mitigate the potential problem of "enemy recognition." One need only look back to the Los Angeles riots in 1992 (Schnaubelt, 1997) and the riots and protests of the late 1960's and early 1970's to see the potential risks associated with the domestic employment of the military.

Federal law limits the domestic use of the military to conduct traditional law-enforcement duties (Schnaubelt, 1997). The Posse Comitatus Act prohibits Title 10 (Federal Active Duty) service members from a number of domestic law-enforcement roles. The military can work around this restriction by employing Air and Army Guard service members in a State Active Duty status. Funding for the deployment is the issue with this solution, however, because Title 10 service is paid for by the Federal government, whereas State Active Duty service is paid for by the States. It is important to learn from both the successes and shortcomings during the 1992 Los Angeles riots and the post 9/11 domestic deployments if we are to use the nation's military as a security out-source for civil authorities.

A third potential trouble spot regarding military out-sourcing is within the area of cost and bureaucracy creation. There is certainly a strategic desire by the Defense Department to keep costs down by not changing end-strength. At the same time, however, the Department appears to be creating a much larger defense-contractor bureaucracy to address the short-term needs for out-sourcing. Recent media attention on the possible misuse of government funds regarding Halliburton in Iraq is due in part to the seemingly complex bureaucracy created to support the multi-billion dollar contracting program. The Department of Defense does not appear to be organizationally structured to best administer its huge defense contracting program. Media attention on the issue creates public perceptions of trust issues and support for the defense effort.



Another area of concern regarding military out-sourcing in light of recent trends and observations is the rising number of non-military casualties within the theater of operations from direct combat actions (Scharnberg, 2005). The public appears to not focus on the number of contractor casualties, only on the daily troop casualty figures. As such, the public might not be seeing an accurate picture regarding the strategic situation and the cost of the GWOT. The potential conflict in this perception is that the nation appears to place a higher value on a service member's life than it does on a civilian defense contractor's life (Zucchino, 2005). The Nation must not travel down this very slippery moral slope of making a value judgment regarding the loss of a combatant versus a noncombatant American.

A fifth potential area of conflict concerns an appreciation for the asymmetric nature of war. Clearly, asymmetric warfare will now be the norm rather than the exception. No military in the world can go toe-to-toe with the US military and expect to win a protracted fight unless the enemy conducts asymmetric operations (Rumsfeld, 2005). An asymmetric battlefield means blurred lines between the locations of friendly and enemy troops. Historically, civilian contractors tended to operate within the theater or corps support areas, usually well away from the front-line battle. Today and for the foreseeable future, contractors, even those in support roles, will be operating throughout the asymmetric battle space (Zamparelli, 1999). The asymmetric nature of the threat may be relatively clear within the Defense community; however, the general public may still not fully appreciate the combat environment for the GWOT. Potential concerns regarding military out-sourcing within the asymmetric environment include a public that does not understand defense requirements nor appreciate the true costs of the campaign.

No doubt there are other areas of potential conflict and concern regarding military out-sourcing. As a nation and a defense community, civilian and military leaders should be forward thinking regarding potential conflicts and take the needed measures to more effectively manage the risks involved.

## RECOMMENDATIONS

The following recommendations are offered to improve both the out-sourcing for the military and regarding the use of the military as an out-source.

1. Transformation and modernization of the military to create a network-centric-based force will require an integrated command and control architecture that includes all of the services and leverages both existing, as well as emerging, capabilities to create joint synergy. Specific opportunities for out-sourcing and acquisition include secure wireless technologies operating in remote and urban environments over long distances.
2. A network-centric force needs more effective tools to better measure the sociological effects of its operations. Much depends on the force achieving strategic and operational effects outlined in the theater and campaign plans; yet, few resources and specific tools exist to qualify and quantify the effects of the operations.
3. The Department of Defense should critically examine the employment of the National Guard's Civil Support Teams to ensure that they are fully integrated into the civilian emergency response network. It may also be prudent to examine if the CST should be a pure civilian organization that can tap into



military resources but remains under a state homeland security agency rather than the military departments of the Guard.

4. The Nation should focus on building up the capabilities of the civilian emergency response communities and security agencies instead of being dependent upon the military, in particular the National Guard. The nature of the National Security environment is such that the Guard will be regularly deployed and may not be available as originally planned.
5. The Country needs to recognize the true cost of war in terms of both military and contractor deployments and casualties. Perhaps the Department of Defense could re-examine the historical lessons learned during World War II concerning the Merchant Marines and develop a new defense organization that would more formally recognize and acknowledge the heroic efforts of defense contractors within the Theater of Operations.

Military out-sourcing has been and will continue to be absolutely essential for national defense. Like any program or business, continuous improvement is needed in the system to better realize potentials and reduce risks. Just as the military is transforming to meet 21<sup>st</sup>-Century defense challenges, so too should the military-industrial-public partnership adapt to meet changing out-sourcing needs.

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